

PUBLIC DISCLOSURE

November 16, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Mechanics' Co-operative Bank
26634**

**308 BAY STREET
TAUNTON, MA 02780**

**Division of Banks
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Boston, MA 02118**

**Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
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NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) and the Federal Deposit Insurance Corporation (FDIC) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Mechanics' Co-operative Bank (or the "Bank")** prepared by the Division and the FDIC, the institution's supervisory agencies.

INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory" by the Division and "Satisfactory" by the FDIC. Please note that the FDIC's rating matrix does not provide for a "High Satisfactory" rating.

An institution in this group has a good record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Mechanics Co-operative Bank's performance pursuant to the CRA is considered Satisfactory based on the following criteria:

- The Bank's loan-to-deposit (LTD) ratio averaged 75.9 percent since the previous FDIC evaluation.
- An analysis of home mortgage lending revealed that a majority of the originations (77.3 percent) were made inside the assessment area.
- The Bank's distribution of lending to individuals of different income levels reflects excellent penetration in both the low- and moderate-income categories.
- The institution's geographic distribution of residential loans reflects an adequate dispersion throughout the assessment area.

No CRA-related complaints were received since the previous evaluation and no evidence of discriminatory acts or practices were noted at this examination

The institution requested that its qualified investments and services also be reviewed to determine whether they enhanced credit availability within the assessment area to a level great enough to augment the overall rating. It was determined that the level of the Bank's qualified investments and services supports the overall ratings assigned.

PERFORMANCE CONTEXT

Description of Institution

Mechanics' Co-operative Bank is a Massachusetts chartered, mutual savings bank established in 1877. The Bank operates eight full service banking offices; two offices in the City of Taunton (including the main office) and one office each in North Dighton, Bridgewater, Fall River, Westport, Swansea, and Somerset. Each office location is equipped with an automated teller machine (ATM) and drive-up facilities. The Bank also operates a loan center adjacent to the Taunton branch office.

The Bank has not closed any branches since the previous FDIC CRA examination as of February 28, 2007. However, the Bank has acquired five new branches through two bank acquisitions since that time. The new branches are those located in Bridgewater, Fall River, Westport, Swansea, and Somerset.

As of September 30, 2009, Mechanics' Co-operative Bank has total assets of \$362 million, consisting primarily of loans and securities. Total assets have increased 122.1 percent since the most recent FDIC CRA evaluation, from \$162.8 million to the current level. The increase is primarily the result of the two bank acquisitions, with approximately one half of the increase being in loans. Most of the remaining growth has been in securities.

Loans total \$187.5 million as of September 30, 2009, and account for 51.3 percent of total assets. Refer to Table 1 for information regarding the composition of the loan portfolio.

Table 1		
Loan Distribution as of September 30, 2009		
Loan Type	Dollar Amount (000's)	Percent of Total Loans
Construction and Land Development	14,774	7.86
Secured by Farmland	403	0.21
1-4 Family Residential	102,665	54.62
Multi-Family (5 or more) Residential	11,567	6.15
Commercial	33,393	17.77
Total Real Estate Loans	162,802	86.62
Commercial and Industrial	8,409	4.47
Consumer	16,707	8.89
Other Loans	42	0.02
Total Loans	187,960	100.00

Source: Report of Condition and Income

As the data in Table 1 shows, the Bank is primarily a real estate lender with 86.6 percent of the loan portfolio secured by residential and commercial properties.

Residential real estate loans comprise the single greatest share of the loan portfolio. These loans are secured by one- to four-family residences and include closed-end mortgage loans, equity loans, and revolving home equity lines of credit. Loans secured by commercial real estate comprise the next largest share of the portfolio. These loans are typically collateralized by the properties used for the borrowers' business such as small office buildings and retail facilities. Consumer loans comprise the next largest share of the portfolio. Much of the consumer loan portfolio consists of loans secured by owner-occupied mobile homes. Most of the remainder of the loan portfolio is nearly evenly divided between loans to finance construction and land development and loans secured by multi-family properties.

The FDIC assigned the Bank a CRA rating of "Outstanding" at its last CRA evaluation on February 28, 2007. The Division assigned a rating of "Outstanding" at its last CRA evaluation of June 24, 2002. There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its performance will be evaluated. Mechanics' Co-operative Bank has defined its assessment area to include the following cities and towns: Berkley, Bridgewater, Dartmouth, Dighton, East Bridgewater, Easton, Fall River, Halifax, Lakeville, Middleborough, Norton, Raynham, Rehoboth, Somerset, Swansea, Taunton, West Bridgewater, and Westport. This assessment area is encompassed entirely within the boundaries of the Boston-Worcester-Manchester, MA, RI, NH Consolidated Statistical Area (CSA). Refer to Table 2 below for pertinent demographic information about the assessment area.

Table 2 Demographic Information for Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	74	2.70	22.97	45.95	27.03	1.35
Population by Geography	377,412	1.06	18.86	47.65	31.83	0.60
Owner-Occupied Housing by Geography	91,962	0.40	9.26	53.12	37.22	0.00
Business by Geography	25,149	3.31	15.49	45.98	35.16	0.06
Farms by Geography	704	0.85	4.83	47.73	46.59	0.00
Family Distribution by Income Level	98,678	18.82	16.93	23.70	40.55	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	35,278	1.81	31.66	47.30	19.23	0.00
Median Family Income (MFI)		60,661	Median Housing Value			154,617
HUD Adjusted MFI 2008		76,922	Unemployment Rate (2000			
Households Below Poverty Level		10%	US Census)			2.97%

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2008 HUD updated MFI

As shown in Table 2, the assessment area is comprised of 74 census tracts, 54 of which have been classified as either middle- or upper-income. The assessment area has 17 moderate-income Census tracts, 2 low-income Census tracts, and one income tract with income not reported (NA income Census tract). The NA income Census tract is located in Bridgewater and is the location of a prison. That Census tract provides no lending opportunities and will not be included in the analysis. Overall, the assessment area is fairly affluent, with 64.3 percent of the area's families classified as middle- and upper-income. Still, approximately 36 percent of the area's families are of low- and moderate-income, the majority of whom reside in the middle-income census tracts.

As shown in Table 2, the median housing value in 2000 for the assessment area was \$145,442. Like much of New England, the area's housing prices saw dramatic changes over the past decade; housing values generally increased significantly in the early part of the decade, then began decreasing in the past few years. Home statistics published by the Warren Group show that the area's median home sales prices for 2009 ranged from \$177,000 in Fall River to \$307,500 in Raynham. The average median sales price in 2009 now more closely approximates \$244,763.

Numerous businesses operate throughout the area, nearly half of which are concentrated in the upper-income census tracts. According to 2009 Business Geodemographic Data, the area has 27,897 businesses in operation, 71.5 percent of which are known to have gross annual revenues under \$1 million. The highest proportion of these business establishments are engaged in the service industry. Businesses involved in retail trade and construction also make up a significant share of the establishments. In terms of employees, over half of the area's businesses employ four or fewer people.

Mechanics' Co-operative Bank operates in a competitive market area in terms of financial services. The Bank competes for loan volume with the many commercial banks, savings banks, credit unions, and mortgage brokers and lenders that operate in the area. Among the more prominent mortgage lenders competing with the Bank in recent years were Countrywide Home Loans, Sovereign Bank, Bank of America, RBS Citizens Bank, N.A., and Bristol County Savings Bank. Excluding credit card banks, the Bank competes for small business loans with institutions such as Sovereign Bank, Citizens Bank of Massachusetts, and Bristol County Savings Bank. Mechanics' Co-operative Bank ranked 135th out of the 313 lenders that originated 9,099 home mortgage loans in the Bank's assessment area in 2008. While the Bank only ranked 135th, it is noted that the Bank expanded its assessment area twice during this evaluation period in conjunction with purchasing two additional institutions. Because of the purchases and expansions, the Bank is still relatively new in parts of its current assessment area.

A community contact was conducted with a local non-profit community development organization that creates housing opportunities by educating and assisting first time home buyers to purchase their own homes, developing affordable housing for those in need, and making home rehabilitation loans. The contact stated one of the biggest challenges in the

Bristol County area is recovering from the record number of foreclosures. In order to improve the housing market, the interested buyers need first time home buyer courses and products made available to them.

In addition to the area's credit needs identified by the community contact, the area's business base also requires numerous commercial credit options to meet a wide variety of financing purposes.

PERFORMANCE CRITERIA

The institution was examined as a small bank, as defined by the CRA. As of the date of this evaluation, the institution's asset size as of the end of the prior two calendar years did not meet the threshold of an Intermediate Small Institution for CRA purposes. A review of the Division's and FDIC's records, as well as the Bank's Public CRA File did not reveal any complaints relating to the Bank's CRA performance since the prior evaluation.

SCOPE OF EXAMINATION

The Interagency Small Bank CRA Evaluation Procedures were used to assess the Bank's CRA performance pursuant to the following criteria: loan- to-deposit (LTD) ratio, assessment area concentration, the geographic distribution of loans, the borrower's profile, and response to substantiated CRA complaints.

The LTD ratio analysis considered quarterly net loan and deposit data from March 31, 2007 through September 30, 2009. The remaining criteria focused on home mortgage lending and small business lending for 2008¹. Information concerning home mortgage lending was derived from the Loan Application Registers (LAR) maintained by the Bank pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home purchase and home improvement loans, including refinancings, on one- to four-family and multi-family (five or more units) properties. Information concerning small business lending was derived from a review of internal Bank loan reports and a sample of the Bank's small business loans. Small business loans for purposes of this evaluation include commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. Small farm lending was not considered as it only represents 0.02 percent of the Bank's loan portfolio.

Financial institutions may, at their option, provide information regarding investments and services. Mechanics' Co-operative Bank provided information concerning qualified investments for February 28, 2007 through November 16, 2009. In terms of services, the Bank's branch distribution, retail services, and community development services were considered as of November 16, 2009.

1. LOAN TO DEPOSIT ANALYSIS

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans and evaluates its appropriateness. The Bank's average LTD ratio is reasonable based on the level and trend of the LTD ratio, a peer group comparison, and the volume of loan sales.

¹Home mortgage and small business loan data was also reviewed for year-to-date 2009 and was a factor in supporting the assigned rating. However, 2009 data is not included in this CRA Public Evaluation as aggregate data was not yet available for comparison purposes. Furthermore, a review of the data revealed that the patterns of lending in 2007 were generally similar to 2008 with the exception of an overall increase in home loan volume. The increase in home loan volume is attributed to the expansion of the institution.

The averaged LTD ratio for Mechanics' Co-operative Bank is 75.9 percent. The ratio was calculated by averaging the Bank's 11 quarterly LTD ratios occurring for the period of March 31, 2007 through September 30, 2009. The LTD ratio has been trending downward during this evaluation period. The declining LTD ratio is the result of the two acquisitions. The Bank's current LTD ratio (as of September 30, 2009) is 64.31 percent, down from 82.61 percent as of March 31, 2007. The institution's averaged LTD ratio is lower than most of the LTD ratios of the similarly situated institutions listed in Table 3.

Table 3 - Loan-to-Deposit Ratios		
Institution	Averaged LTD Ratio	Assets as of 09/30/09 (\$000s)
Mechanics' Co-operative Bank	75.89	362,010
Weymouth Bank	95.23	173,971
South Coastal Bank	102.72	272,834
Mayflower Co-operative Bank	63.28	246,954
Pilgrim Bank	86.66	157,978
Dean Co-operative Bank	111.72	224,858

Source: Reports of Condition and Income

Not reflected in the LTD ratio is the volume of loans sold to the Federal Home Loan Mortgage Corporation ("Freddie Mac"), the Federal Home Loan Bank, and other private investors. During the review period, the Bank sold 216 loans totaling approximately \$40.5 million. Selling loans not only permits Mechanics' Co-operative Bank to better manage its interest rate risk, but also allows the Bank to originate a larger volume of loans than would otherwise be possible.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA

This performance criterion determines what percentage of the Bank's lending occurs within the assessment area and evaluates its appropriateness. Based on a review of the home mortgage and small business loan data, a majority of the Bank's lending activity by number and dollar volume occurred in the assessment area.

Table 4 - Distribution of Loans Inside and Outside of Assessment Area											
Loan Category or Type		Number Loans					Dollar Volume				
		Inside		Outside		Total	Inside		Outside		Total
		#	%	#	%		\$	%	\$	%	
Home Purchase	2008	43	61.4	27	38.6	70	7,624	46.7	8,687	53.3	16,311
	2009	33	78.6	9	21.4	42	6,282	79.1	1,665	20.9	7,947
Refinance	2008	100	75.8	32	24.2	132	18,687	63.4	10,777	36.6	29,464
	2009	74	85.1	13	14.9	87	12,902	85.9	2,120	14.1	15,022
Home Improvement	2008	37	74.0	13	26.0	50	3,269	53.4	2,855	46.6	6,124
	2009	28	80.0	7	20.0	35	2,437	83.5	481	16.5	2,918
Total Home Loans		315	75.7	101	24.3	416	51,201	65.8	26,585	34.2	77,786
Small Business	2008	50	89.3	6	10.7	56	4,569	69.6	1,992	30.4	6,561
Grand Total		365	77.3	107	22.7	472	55,770	66.1	28,577	33.9	84,347

Source: HMDA LARs; Small Business Data provided by bank.

As noted in Table 4, the Bank originated 77.3 percent of its loans by number and 66.1 percent by dollar volume of its combined home mortgage and small business loans inside the assessment area. The data in Table 4 also show an increasing trend in the in-area percentages from 2008 to 2009 for all home loan purpose categories.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The distribution of loans based on the borrower's income profile was reviewed to determine the extent to which the Bank is addressing the credit needs of the area's residents and small businesses. Based on the review of the HMDA LARs and the small business loan data, the Bank has achieved an excellent penetration of loans among borrowers of different income levels (including low- and moderate-income) and businesses of different revenue sizes.

Home Mortgage Loans

The Bank has achieved an excellent penetration of home loans among borrowers of different incomes based on the area's demographics, a comparison to aggregate lending data, and a review of the Bank's market rank. Refer to Table 5 for information concerning the distribution of HMDA loans by borrower income.

Table 5 - Distribution of HMDA Loans by Borrower Income				
Borrower Income Level	% of Total Families	Aggregate Lending Data (% of #)	2008	
	2000	2008	#	%
Low	18.8	5.7	20	16.1
Moderate	16.9	19.9	24	19.4
Middle	23.7	32.3	29	23.4
Upper	40.6	42.1	51	41.1
Total	100.0	100.0	124	100.0

Source: 2000 U.S. Census, HMDA LAR (2008), and HMDA Aggregate Data (2008)

The data in Table 5 shows that upper-income borrowers accounted for the highest proportion of total home lending. Lending to middle-income borrowers accounted for the second highest portion of the Bank's home lending. It is noted that in both income categories, the Bank's percentage of lending very closely resembles the percentage of families in those income categories. That is also the case with residential lending to low- and moderate-income families. The Bank's percentage is in line with the aggregate data for lending to moderate-income borrowers and is slightly higher than the

percentage of families in that income category. The Bank significantly exceeds the aggregate data in lending to low-income borrowers and is only slightly below the percentage of low-income families. This is due in part to the institution's mobile home lending program that provides housing opportunities to lower-income persons in the assessment area.

Small Business Loans

The Bank has achieved an excellent penetration of small business loans among businesses of different sizes based on the area's demographics and a review of the distribution of loans by loan amount.

Mechanics' Co-operative Bank has an excellent distribution of small business loans by gross annual revenue of the business. Of the 50 small business loans originated by the Bank within its assessment area, 76.0 percent were to businesses with gross annual revenues of \$1 million or less. This percentage is slightly higher than the percentage of businesses in that revenue category which is estimated to be 71.5 percent.

The Bank also had an excellent distribution of loans by loan size. Refer to Table 6 for specific information concerning the small business loans by loan amount.

Table 6 - Distribution of Small Business Loans by Loan Amount				
Loan Amount	#	%	\$ (000's)	%
Less than \$100,000	35	70.0	1,274	27.9
From \$100,000 to \$250,000	12	24.0	1,916	41.9
Over \$250,000	3	6.0	1,379	30.2
Total	50	100.0	4,569	100.0

Source: 2008 Small Business Data provided by bank

As shown in Table 6 above, the Bank originated 50 small business loans inside the assessment area during 2008. Of those, 70.0 percent were originated in amounts less than \$100,000. When the loan amount is used as a proxy for business size, the data indicates that the Bank is a valuable source of credit for the area's smaller businesses.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans was reviewed to assess how well the Bank is addressing the credit needs throughout the assessment area. Based on the review of the HMDA LARs and the small business loan data, the geographic distribution of loans reflects an adequate dispersion throughout the assessment area.

Home Loans

The Bank has achieved an adequate dispersion of home loans throughout the assessment area based on the area's demographics and a comparison to aggregate lending data. Refer to Table 7 for specific information concerning the distribution of HMDA loans among the census tract income categories.

Table 7 - Geographic Distribution of HMDA Loans				
Tract Income Level	% of Owner Occupied Housing Units	Aggregate Lending Data (% of #)	2008	
	2000	2008	#	%
Low	0.4	0.6	0	0.0
Moderate	9.3	8.9	10	7.4
Middle	53.1	51.7	100	74.1
Upper	37.2	38.8	25	18.5
Total	100.0	100.0	135	100.0

Source: 2000 U.S. Census, HMDA LAR (2008), and HMDA Aggregate Data (2008)

The Bank did not originate any loans in the assessment area's two low-income Census tracts. This is not unreasonable, as both low-income census tracts are located in Fall River, the newest portion of the Bank's assessment area. The Bank's HMDA lending within the assessment area's moderate-income census tracts is also slightly less than that reflected by the aggregate data. This is also a by-product of the Bank's expansion into new areas. The majority of the Bank's lending is within the middle-income Census tracts.

Small Business Loans

The Bank has achieved an adequate dispersion of small business loans throughout the assessment area based on the area's business geodemographics and a review of the distribution of loans by Census tract income category.

As depicted in Table 8, the Bank originated one loan (2.0 percent) in the assessment area's low-income Census tracts. That percentage of lending is slightly below the percentage of businesses operating within those tracts. The Bank's small business lending within the assessment area's moderate-income census tracts is slightly higher than the percent of businesses operating within those tracts.

Table 8 - Geographic Distribution of Small Business Loans			
Tract Income Level	% of Business	2008	
	2008	#	%
Low	3.1	1	2.0
Moderate	14.7	8	16.0
Middle	46.4	30	60.0
Upper	35.8	11	22.0
Total	100.0	50	100.0

Source: 2008 business geodemographic data, 2008 Small Business Data provided by Bank

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS AND REGULATIONS

A review of the Bank's CRA public file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous evaluation. In addition, a review was conducted for compliance with fair lending regulations and no evidence of disparate treatment or impact was revealed.

OPTIONAL REVIEW OF INVESTMENT AND SERVICES

At the request of Bank management, examiners reviewed the Bank's qualified investments and services for CRA purposes. A qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low- and moderate-income geographies.

Charitable Contributions

Grants and Donations

Mechanics' Co-operative Bank provided support to a variety of organizations through community development grants and donations directly to local charitable organizations. During the evaluation period, the Bank donated \$132,902 that was qualified under the definition of community development. Of the total dollar amount donated over this time frame, \$96,855, or 72.9 percent, was provided to organizations that provide community

services targeted to low- and moderate-income individuals. The Bank provided \$26,622, or 20.0 percent, for economic development. The Bank also provided \$9,425, or 7.1 percent, in qualified grants and donations to organizations that provide affordable housing. This information is displayed in Table 9 below.

Table 9 Grants and Donations by Category and Year								
Community Development Category	2007		2008		2009		Total	
	#	\$	#	\$	#	\$	#	\$
Community Services Targeted to low- and moderate-Income	17	10,370	25	34,283	28	52,202	70	96,855
Economic Development to revitalize low- and moderate-income	6	15,820	5	3,152	8	7,650	19	26,622
Affordable Housing to low- and moderate-income	4	2,200	3	1,125	3	6,100	10	9,425
Total	27	28,390	33	38,560	39	65,951	99	132,902

Source: Internal Bank Records. Review Period 3/1/2007-11/16/2009

Individual year totals for 2007 (\$28,390), 2008 (\$38,560), and 2009 (\$65,951) represented 3.79 percent, 3.09 percent, and 7.86 percent of net operating income, (NOI) respectively. This information is displayed in Table 10 below.

Table 10 Grants and Donations by Year				
	2007	2008	2009	Total
Mechanics' Cooperative Bank	\$28,390	\$38,560	\$65,951	\$132,902
Total Donations	\$28,390	\$38,560	\$65,951	\$132,902
Pre-tax Net Operating Income (NOI)	\$749,000	\$1,247,000	\$839,000	\$2,835,000
Donations/Pre-Tax NOI	3.79%	3.09%	7.86%	4.68%
# of Organization Benefiting from Donations	16	18	20	54

Source: Internal Bank Records. Review Period 3/1/2007-11/16/2009. FDIC Call reports

The following list is a sample of organizations within the Bank's assessment area that received contributions and donations.

Pro-Home, Inc. - The organization was established for the production and protection of affordable housing. Located in Taunton, MA the organization serves Taunton and its 13 surrounding communities. Other services offered by Pro-Home include: Foreclosure Prevention Counseling, First Time Home Buyer Counseling, Financial Literacy, and a Down Payment Assistance Program.

Saint Vincent's - Programs and services meet the changing needs of children and their families who are coping with a variety of difficulties which include abuse, neglect, poverty, addictions, mental illness, emotional and behavioral problems as well as challenges to learning. Saint Vincent's provides residential, education, and community based services.

Heart of Taunton - Is a privately funded nonprofit downtown revitalization organization, dedicated to Taunton's economic, physical and cultural improvement.

Bridgewater Cares Family Fund - The organization's purpose is to assist families in the Town of Bridgewater with serious medical and financial hardships.

United Way of Greater Fall River - is a local non-profit organization that raises charitable contributions to invest in programs and services that deliver measurable results in changing lives and building stronger communities.

Boys and Girls Club of Taunton - The Boys and Girls Club enable all young people, especially those who are in need most, to reach their full potential as productive, caring, responsible citizens. The Club's programs and services promote and enhance the development of boys and girls by instilling a sense of competence, usefulness, belonging and influence.

In evaluating the extent to which a small bank's qualified investments may augment the overall rating, emphasis must be placed on those that enhance credit availability within the assessment area. While the Bank's qualified grants and donations were made to worthy organizations that serve various community development purposes, there is limited correlation between the donations and an increase in the availability of credit within the assessment area.

Community Development Services

Mechanics' Co-operative Bank provides a number of community development services. These services have resulted in a better-educated community, increased awareness of community needs, and improvements in the communities served. The Bank offered services to low- and moderate-income residents within the assessment area and provided technical assistance to organizations with a community development purpose. The Bank's initiatives are especially responsive to the needs of the low- and moderate-income households and small businesses in Taunton. The active involvement of the Bank's directors, officers, and employees in community development organizations is indicative of the Bank's commitment to serve the needs of the assessment area.

Following are descriptions of several programs that display Mechanics' Co-operative Bank's involvement in community development services within its assessment area. These services meet the definition of community development and are related to the provision of financial services as required for consideration under the CRA:

Affordable Housing

- In October of 2009, the Bank participated in a First Time Homebuyer's Workshop sponsored by Catholic Social Services. The workshop educated individuals about various affordable housing opportunities (down-payment assistance, soft second loans, lotteries and ready-to-buy list); how to budget and manage credit; overview of the home buying process; know the players (buyer, seller, realtor, loan originator,

underwriter, appraiser, home inspector and closing attorney); and successful home ownership. The Bank also participated in a number of first time home buyers seminars sponsored by Pro-Home, Inc.

- In October 2009, the Bank participated in a Free HomeSavers Workshop. The Workshop was in collaboration with Fall River/New Bedford Housing Partnership. “HomeSaver” is a counseling and loan program that helps borrowers who are unable to repay their mortgage. It is a proactive step that homeowners take before their mortgage becomes unaffordable, and before foreclosure becomes a real possibility.

Services to Low- and Moderate-income Residents

- Bank employees participated in several financial literacy training programs at area schools using the **FDIC’s Money Smart Financial Literacy Program**. Money Smart was launched by the FDIC in 2001 as a comprehensive financial education curriculum designed to help low- and moderate-income individuals outside the financial mainstream enhance their financial skills and create positive banking relationships.
- Mechanics’ Co-operative Bank administers an Interest of Lawyers’ Trust Accounts (IOLTA) program. Interest earned on these accounts goes to the Massachusetts IOLTA Program, and the funds are used to provide low-income individuals with a variety of legal services. As of the examination date, the Bank had approximately 24 accounts under the program, and paid approximately \$10,900 in interest during the evaluation period.

Economic Development

- The Bank sponsored a two part workshop in conjunction with the South Eastern Economic Development Corporation (SEED). SEED offers a full range of financing programs providing loans up to \$4 million to assist small businesses to grow and create jobs in Massachusetts and Rhode Island. The first part of the workshop was “Learn the Fundamentals in Planning, Preparing For, and Financing Your Business” followed by a second part “Understanding the Purpose of Financial Statements and How They Can Help Determine the Health of Your Business.” The Bank’s Vice President of Commercial Lending also spoke at the workshop.

In addition, officers and employees of the Bank are involved in many local community development and non-profit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, officers, committee members, and volunteers. Examples of the benefiting organizations include:

- **Affordable Housing Organizations:** The Bank’s Senior Vice President of Lending is on the Board of Directors of Pro-Home, Inc. The Bank’s Compliance Officer and IT Risk Officer is on the Board of Directors of Old Colony Habitat for Humanity. The Bank’s Vice President of Residential and Consumer Lending is on the Board of Fall River/New Bedford Housing Partnership.

- ***Organizations Providing Community Services to Low- and Moderate-Income Residents:*** The Bank's CEO is involved with Boys and Girls Club of Taunton. The Bank's Senior Vice President of Lending is on the Board of Directors of Old Colony YMCA. The Bank's Executive Vice President is on the Board of Directors of St. Vincent's Home. A Branch Manager is the President of the Amanda Kelly Foundation. The Bank's Vice President of Marketing and the Bank's Vice President of Fall River Allocation Committee are on the Board of United Way of Fall River Allocation Committee.
- ***Economic Development Organizations:*** The Bank's President is on the board of the Weir Corporation Small Business Loan Committee. The Bank's Senior Vice-President of Lending is on the Board of Directors of The SEED Corporation. The Bank's Vice President of Residential and Consumer Lending is on the Board of Southern New England Credit Grantors. The Bank's Assistant Vice President is on the Board of Heart of Taunton.

Other Community Development Services

The Bank participates in the Massachusetts Community and Banking Council's (MCBC) Basic Banking in Massachusetts program. This statewide program is designed to offer low cost checking and savings accounts to low- and moderate-income individuals.

The Bank offers MassHousing products such as First Time Homebuyers loans, Refinances, Home Improvement loans, Get the Lead Out, and Septic System Repair loans to low- and moderate-income qualified applicants, as well as, the Massachusetts Housing Partnership SoftSecond Loan Program, a low-interest rate, low down payment mortgage for first-time homebuyers. SoftSecond mortgages are offered through a partnership with the Department of Housing and Community Development and MHP. SoftSecond Loan is one of Massachusetts most affordable mortgage programs for low- to moderate-income homebuyers.

Similar to evaluating qualified investments, a small bank's services must be reviewed with emphasis on the extent to which they enhance credit availability. The Bank is involved in a number of services that likely have a positive impact on making credit available, particularly those offered through Pro-Home, Inc. and SEED. However, the level is not such that it augments the Bank's overall rating.

APPENDIX A

Fair Lending Policies and Procedures

Mechanics' Co-operative Bank's fair lending performance was reviewed to determine how it relates to the guidelines established by Regulatory Bulletin 2.3 101, the Division's Community Reinvestment and Fair Lending Policy. A review of the public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

Specific areas pertaining to prohibited activity, advertising practices, training, policy review, the Bank's loan application process, and regulations pertaining to the Equal Credit Opportunity Act, Fair Housing Act, and the Home Mortgage Disclosure Act are discussed in the Bank's loan policy.

Mechanics' Co-operative Bank takes a pro-active approach to fair lending. The Bank had a fair lending audit performed by an outside agency during the examination period. Bank staff is routinely provided fair lending training commensurate with their job description.

Currently, there are eight bilingual employees to assist non-English speaking customers and potential customers of the Bank. Languages spoken include: Portuguese. As a result, the Bank is able to provide better service to customers of different ethnic backgrounds.

MINORITY APPLICATION FLOW

Mechanics' Co-operative Bank's LARs for 2008 and 2009 were reviewed to determine if the application flow from the different racial and ethnic groups within the assessment area was reflective of the area's demographics.

The Bank's assessment area has a population of 377,412 persons. The total minority population is 7.9 percent with the largest minority groups being African American at 1.6 percent and Asian at 1.1 percent. The Hispanic population accounts for 2.1 percent of the total population within assessment area.

The Bank received a total of 323 HMDA-reportable loan applications from within the assessment area in 2008 and 2009. In 2008, the Bank received 1 application from a minority applicant representing .6 percent of total applications. The aggregate performance showed that 3.7 percent of total applications were received from minority applicants. The Bank received no applications in 2008 from Hispanic applicants while the aggregate received 1.7 percent of all applications from Hispanic applicants.

In 2009, the Bank saw an increase in applications from minority applicants, receiving 9 applications representing 2.7 percent of total. Additionally, the Bank received 6 applications from Hispanic applicants representing 1.8 percent of total applications.

The Bank was significantly below the aggregate for 2008. However, the positive trend is noted and, overall, the performance of the Bank is reasonable.

APPENDIX B DEFINITIONS

GEOGRAPHY TERMS

Block: Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

Block Group: Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 308 Bay Street Taunton, MA 02780."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. The institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.